

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

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CC:CORP:B05

PLR-138559-12

Date:

March 08, 2013

TY:

Legend

Parent =

Seller 1 =

Seller 2 =

Seller 3 =

Target 1 =

Target 2 =

Target 3 =

PLR-138559-12

2

Target 4 =

.

Target 5 =

Disregarded 1 =

Disregarded 2 =

Disregarded 3 =

Disregarded 4 =

Buyer =

Existing Sub =

Holdco =

Third Party =

Third Party Sub =

Third Party Business =

Joint Venture Business =

Region =

Business Market =

Year =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

n =

o =

p =

q =

r =

s =

t =

u =

v =

w =

x =

y =

z =

aa =

bb =

cc =

dd =

ee =

ff =

gg =

hh =

ii =

jj =

kk =

ll =

mm =

nn =

oo =

pp =

Dear :

This letter responds to your request, dated September 6, 2012, for rulings on certain federal income tax consequences of the Completed Transactions (defined below). The material information in the request and in subsequent correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Parent is a domestic corporation that is the parent corporation of a multinational group and the common parent of a consolidated group. Parent directly owns all of the stock of Seller 1. Seller 1 directly owns Seller 2. Seller 1 owns % of the class A shares of Target 1. Seller 1, Seller 2, and an unrelated shareholder own a%, b%, and c% of the outstanding class B shares of Target 1, respectively.

Parent indirectly owns all of the stock of Seller 3. Seller 3 owns all of the stock of Disregarded 1, an entity disregarded as an entity separate from its owner for U.S. income tax purposes. Disregarded 1 and Seller 1 own d% and e% of the outstanding stock of Target 2, respectively. Disregarded 1, Target 2, and Seller 1 own f%, g%, and h% of Target 3, respectively. Target 3, Seller 1, and Seller 2 own i%, j%, and k% of Target 4, respectively. Target 3 and Seller 1 own l% and m% of Target 5, respectively.

Parent indirectly owns _____ percent of the shares of Buyer, a foreign entity treated as a corporation for U.S. federal income tax purposes. Buyer owns n% of Existing Sub. An unrelated shareholder owns the remaining o% of the stock of Existing Sub.

Third Party is unrelated to taxpayer and conducts Third Party Business.

Pursuant to an agreement dated Date 1, during Year, Parent, through its wholly-owned subsidiaries, entered into a joint venture (the “Joint Venture”) with Third Party to conduct Joint Venture Business in Region. Parent had previously done business in Region through various companies owned in separate ownership chains in its multinational group. Parent entered into the Joint Venture for business purposes including reducing complexity and international exposure to Business Market, leveraging capabilities of Third Party, and reducing exposure to geopolitical and economic volatility in Region.

Prior to entering the Joint Venture, Parent caused its interests in the entities that were to be contributed to the Joint Venture (the “Joint Venture Entities”) to be consolidated in Buyer and entities owned by Buyer in a series of transactions also occurring during Year, as described below. Parent intended to accomplish a number of business purposes by consolidating the Joint Venture Entities in Buyer’s ownership chain, including:

- Creating a single owner in Parent’s group of the Joint Venture to minimize management and reporting requirements, and limit liability risk;
- Facilitating execution of the Joint Venture transaction with Third Party by entering into one master stock purchase agreement for the transfer of the Joint Venture Entities;
- Transferring the Joint Venture Entities into the Joint Venture structure with minimal local country income taxes;
- Providing for a Joint Venture vehicle that would allow for minimal local country taxes on the sale and on future distributions to and from the Joint Venture; and
- Allowing for the conversion of certain Joint Venture Entities into local law companies that may elect to be disregarded for U.S. income tax purposes.

Transactions

During the course of Year, the following transactions steps occurred (together, the “Completed Transactions”):

Preparatory Steps

- (i) On Date 2, Buyer purchased the remaining c% of the class B shares of Target 1 from an unrelated shareholder.
- (ii) During Year, Buyer formed Disregarded 2, and elected to treat it as disregarded as an entity separate from its owner for U.S. federal income tax purposes. Disregarded 2 then formed Disregarded 3, and elected to treat it as disregarded as an entity separate from its owner for U.S. federal income tax purposes. Disregarded 3 then formed Disregarded 4, and elected to treat it as disregarded as an entity separate from its owner for U.S. federal income tax purposes. Buyer and Disregarded 2 then formed Holdco and elected to treat it as a corporation for U.S. federal income tax purposes. Disregarded 2 then sold Disregarded 3 to Holdco.

Intra-group Sales

On Date 3, through the following steps, Parent caused its affiliates in the Seller 1 and Seller 3 ownership chains to sell interests in the Joint Venture entities to Buyer or Disregarded 4:

- (iii) Seller 1 sold to Buyer all of the class A shares and a% of the class B shares of Target 1 for a note with a face value of \$p. Seller 1 realized a gain on the sale of the class A and class B shares of Target 1 in the amount of \$q.
- (iv) Disregarded 1 sold to Buyer r% of the shares of Target 2 and s% of the shares of Target 3 in exchange for notes with a face value of \$t and \$u, respectively. Seller 3, through Disregarded 1, realized losses on the sale of the Target 2 and Target 3 shares in the amounts of \$v and \$w, respectively.
- (v) Seller 1 sold to Disregarded 4 j% of the shares of Target 4 for nominal consideration of \$x. Seller 1 realized a loss on the sale of Target 4 shares in the amount of \$y.
- (vi) Disregarded 1 sold to Disregarded 4 z% of the shares of Target 2 and aa% of the shares of Target 3 in exchange for \$bb and \$cc, respectively. Seller 3, through Disregarded 1, realized losses on the sale of the Target 2 and Target 3 shares in the amounts of \$dd and \$ee, respectively.
- (vii) Seller 2 sold to Disregarded 4 k% of the shares of Target 4 and b% of the B shares in Target 1 in exchange for nominal consideration of \$ff and \$gg, respectively. Seller 2 realized a loss on the sale of Target 4 shares in the amount of \$hh and realized a gain on the sale of Target 1 shares in the amount of \$ii.

- (viii) Seller 1 sold to Disregarded 4 e% of the stock of Target 2, h% of the shares of Target 3, and m% of the shares of Target 5 in exchange for total consideration of \$j. Seller 1 realized a loss on the sale of Target 3 shares in the amount of \$k and realized gains on the sale of Target 2 and Target 5 in the amounts of \$l and \$mm, respectively

Buyer Contribution

- (ix) On Date 3, Buyer contributed all of its newly acquired shares in Target 1, Target 2, and Target 3, along with n% of the shares of Existing Sub previously owned by Buyer, to Holdco for no consideration.

Holdco Contribution

- (x) On Date 3, Holdco contributed all of its shares in Target 1, Target 2, Target 3, and Existing Sub to Disregarded 3 in exchange for an additional interest in Disregarded 3.

Joint Venture Formation

- (xi) On Date 4, Third Party acquired a nn% interest in Disregarded 3 in exchange for a oo% interest in Third Party Sub, a wholly owned subsidiary of Third Party, and \$pp.

The transaction documents with Third Party require Parent and Third Party to use their best efforts to undertake the actions necessary to treat Target 1, Target 2, and Target 3 each disregarded as an entity separate from its owner for U.S. federal income tax purposes. This requires conversion into different corporate forms under local law, and the required actions are ongoing

Representations

Parent has made the following representations in connection with the Completed Transactions:

- (a) The acquisitions by Buyer of the class A and class B shares of Target 1, the shares of Target 2, and the shares of Target 3, all as described in Completed Transaction steps (iii) and (iv), are acquisitions described in section 304(a)(1).
- (b) The acquisitions by Holdco, through its wholly owned disregarded subsidiary Disregarded 4, of the shares of Target 2, Target 3, Target 4, and Target 5, and of the class B shares of Target 1, all as described in Completed Transaction steps (v) through (viii), are acquisitions described in section 304(a)(1).

- (c) At the time of the acquisitions by Buyer and the acquisitions by Disregarded 4 in Completed Transaction steps (iii) through (vii), there was a binding commitment to sell to Third Party a nn% interest in the transferred subsidiaries.
- (d) There is no plan or intent of Parent, Buyer, or Holdco to dispose of the Joint Venture partnership interests, to reacquire Joint Venture partnership interests held by Third Party, or to liquidate the Joint Venture partnership.

Rulings

Based solely on the information submitted and the representations set forth above, we hold as follows:

- (1) On the completion of step (xi) of the Completed Transaction Seller 3 will take into account losses realized on the sale by Disregarded 1 of Target 2 and Target 3 shares described in Completed Transaction step (iv). Section 267(f)(2)(B), Treas. Reg. §§ 1.267(f)-1(c) and 1.1502-13(c), (d).
- (2) On the completion of step (xi) of the Completed Transaction Seller 1 will take into account losses it realized on the sale of Target 4 shares described in Completed Transaction step (v). Section 267(f)(2)(B), Treas. Reg. §§ 1.267(f)-1(c) and 1.1502-13(c), (d).
- (3) On the completion of step (xi) of the Completed Transaction Seller 3 will take into account losses it realized on the sale by Disregarded 1 of Target 2 and Target 3 shares described in Completed Transaction step (vi). Section 267(f)(2)(B), Treas. Reg. §§ 1.267(f)-1(c) and 1.1502-13(c), (d).
- (4) On the completion of step (xi) of the Completed Transaction Seller 2 will take into account losses it realized on the sale of Target 4 shares described in Completed Transaction step (vii). Section 267(f)(2)(B), Treas. Reg. §§ 1.267(f)-1(c) and 1.1502-13(c), (d).
- (5) On the completion of step (xi) of the Completed Transaction Seller 1 will take into account losses it realized on the sale of Target 3 shares described in Completed Transaction step (viii). Section 267(f)(2)(B), Treas. Reg. §§ 1.267(f)-1(c) and 1.1502-13(c), (d).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Lawrence M. Axelrod
Special Counsel
Office of Associate Chief Counsel (Corporate)